



ACTIVISION | BLIZZARD

GOOGLE /



Board Review of Enterprise Deal Proposals | January 2020

EXHIBIT 1979

PRIVILEGED/CONFIDENTIAL AND ACTIVISION BLIZZARD PROPRIETARY

1/19/2020 5:38 PM | Confidential

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AB-GOOG-000516

EXHIBIT 1979-001

Executive Summary

- Activision Blizzard (“ABK”) began separate discussions with Google [REDACTED] in mid-2019 with the goal of entering into enterprise-wide agreements that drive value across multiple business verticals over the next three years (2020-2022)
- Following multiple rounds of negotiations, we have arrived at near-final terms resulting in the below incremental financial benefits (in aggregate over the three year term) for both ABK and our partner:
 - Google: \$310M of incremental contribution to ABK and (\$60)M for Google
 - [REDACTED]
- To advance the deal to a binding term sheet, ABK requires approval to commit to the following terms:
 - Google: \$230M for cloud services with Google Cloud Platform and \$375M for advertising on Google’s ad properties / products
 - [REDACTED]
- Note: these deals are mutually exclusive and ABK will only enter into the one we determine as the best option



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EXHIBIT 1979-002

Strategic rationale

Driving mobile growth at more attractive economics with Google, AB esports viewership and media rights revenue, and lower cost is core to enterprise deals with both Google [REDACTED]

ABK / Google

ABK Rationale

- **Accelerate mobile growth at attractive economics** (22-25% synthetic platform fee vs current 30%) supported by over-proportional co-marketing support from Google
- Grow esports consumer base and viewership through access to YouTube's 2B MAU; **drive media rights value for AB esports** now *and* in the long term
- Continue to **expand ABK's advertising business** by locking in competitive economics
- **Drive user acquisition marketing ROI** through more attractive media spend economics on Google platforms/products (\$1 credit for every \$3 spent)
- **Create cost savings within production IT spend** by shifting up to 35% to Google Cloud Platform at competitive economics (\$105M+ savings over three years)

Partner Rationale

- Secure support from leading game developer on Google Play to drive growth of ecosystem
- Acquire tentpole esports content for YouTube Gaming business and grow live streaming platform/audience
- Lock in committed revenue and continue to grow core advertising businesses (ads, ad tech/serving, and ad fulfillment)
- Establish industry-leading cloud customer to create future opportunities within gaming vertical

- [REDACTED]
- [REDACTED]
 - [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]



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EXHIBIT 1979-003

Google deal term summary

Google commits to \$395M over three year term while ABK commits to \$15M incremental expense above plan

	<u>Google Obligations</u>	<u>ABK Obligations</u>
Google Play	<ul style="list-style-type: none"> \$20/15/15M annual co-marketing contingent on \$900/1,000/1,200M gross bookings of ABK titles on Google Play (2020 AOP: \$985M+) 	<ul style="list-style-type: none"> Deliver mobile games to Google Play at parity with other mobile platforms No financial commitment
YouTube / Esports	<ul style="list-style-type: none"> \$50/53/57M annual payments for exclusive OWL / CDL / Blizzard esports media broadcast rights 55% of sub revenue and 100% of in-game item rev sold on YouTube to ABK Over-proportional O&O support to launch of both leagues (OWL / CDL) 	<ul style="list-style-type: none"> Deliver [2,810] hours of live esports content across OWL, CDL and Blizzard esports \$45M commitment over 3 years (no annual commitment) from ABK partners – ad spend fulfilled by ABM from partners counts toward total \$70M marketing value commitment over three years to promote leagues (note: includes marketing value provided through O&O and in-game promos)
Media Spend	<ul style="list-style-type: none"> \$35M in annual media / user acquisition spend credit 	<ul style="list-style-type: none"> \$115/\$125/\$135M annual advertising spend on Google platforms (2020 AOP: \$145M)
Cloud Spend	<ul style="list-style-type: none"> 2% of gross bookings of ABK titles on Google Play in the form of GCP credits (\$20M min. in 2020; estimated \$27/32M in 2021/2022) 	<ul style="list-style-type: none"> ABK commits to \$230M cloud spend over 4 years (assumed can be delivered in 3-3.5 years) contingent upon 1) competitive pricing, 2) maintained Service Levels, 3) support for cloud migration, [REDACTED] Estimated \$15M of incremental cloud expense for dual environments during migration
Advertising	<ul style="list-style-type: none"> Three year extension of current deal terms (15% on Open Auction / 6.5% on Google ad-serving technology) No financial commitment 	<ul style="list-style-type: none"> No financial commitment
Total Commitment	\$395M (excludes performance-based upside)	\$690M (\$15M incremental to ABK plan)



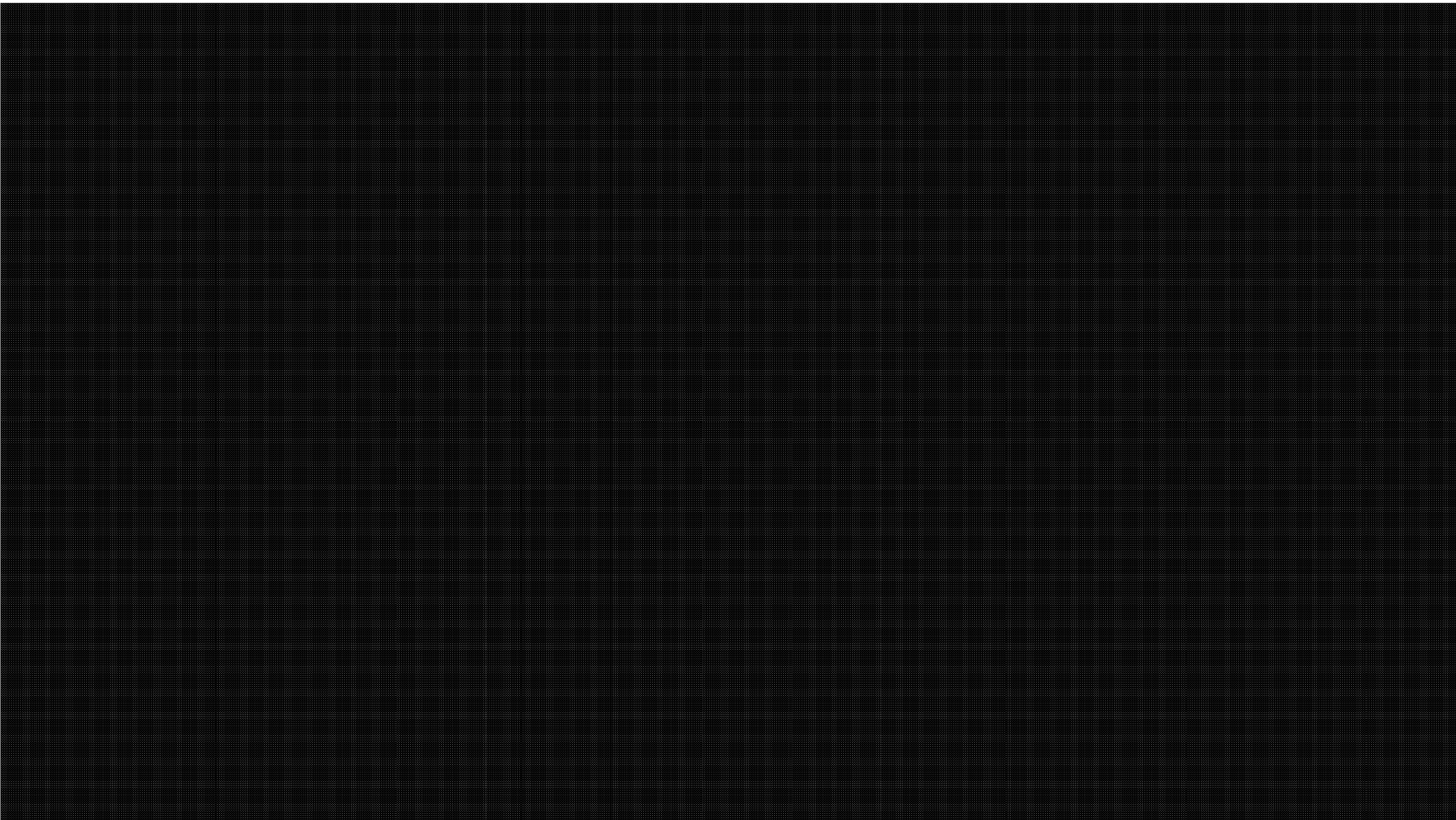
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Deal value creation

Google deal proposal provides \$310M of value creation over three years

Baseline – expected book of business with partner w/o a deal
Proposal – Partner proposal – gross value
Proposal Contr. – contribution of the partner proposal
Gross Incr. – incremental gross value vs the baseline
Incr. Contr. – incremental contribution vs baseline of proposal

In millions

		3-Year Google Proposal									
		Baseline	Proposal	Gross Incr.	Proposal Contr.	Incr. Contr.	Baseline	Proposal	Gross Incr.	Proposal Contr.	Incr. Contr.
ABK	Mobile (Net Rev)	2,629	2,679	50	50	50					
	Esports (Rights Rev less Production)	(116)	45	160	45	45					
	Media Spend (less Credits)	(375)	(270)	105	105	105					
	Cloud Spend (less Credits + cost savings)	(60)	(121)	(61)	109	109					
	Advertising (ABM Rev less Fees)	582	582	-	-	-					
		-	-	-	-	-					
TOTAL ABK		2,660	2,914	254	308	308					
Partner	Mobile (Google Play)	1,127	1,077	(50)	(50)	(50)					
	Esports (Ad/Sponsor Rev less Media Rights)	-	(0)	(0)	(0)	(0)					
	Media Spend (from ABK to Partner Platforms)	375	270	(105)	243	(95)					
	Cloud Spend (from ABK to Partner)	-	155	155	46	46					
	Advertising (Royalties from ABM)	30	71	41	64	37					
		-	-	-	-	-					
TOTAL Partner		1,532	1,572	40	303	(61)					

(1) Media contribution does not consider media spend as a cost to ABK due to the spend occurring regardless of deal with Google

(2) Cloud contribution does not consider cloud spend as a cost to ABK due to the spend occurring regardless of deal with Google cloud cost savings (incl. incremental expense for duplicate environments) vs on-premise infrastructure is included

(3)

(4) Contribution assumes 90% margin for operational costs

(5)

(6) Contribution assumes 90% margin for operational costs



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EXHIBIT 1979-006

ABK cloud considerations

Current assessment of non-economic factors points to Google as the more attractive long-term Cloud vendor

- ABK total production IT costs are forecast at \$675M over next three years (2020-2022), [REDACTED]
- External cloud spend currently represents 10-15% of total IT production costs, and the business recommends increasing external spend to 30-35% over the next three years, in order to improve service and lower cost, leveraging cloud as part of broader partnerships
- ABK IT has identified [REDACTED] GCP as the most attractive potential Cloud partners across a wide range of services, based on:
 - Both GCP [REDACTED] offer better player experiences than our internal hosting (e.g., both able to innovate on Cloud functionality at scale, extensive regional footprints resulting in lower latency)
 - Both GCP [REDACTED] offer better best-of-breed data / analytics capabilities, though Google's seen as more mature; King has already implemented Google as a data / analytics solution, which has been well received
- Total commit requested from Google is \$230M over four years (\$155M after credits), [REDACTED]
 - To date, Google has offered a higher discount vs. list price (est. 30% avg. [REDACTED]). Additionally, Google offered \$75M in credits (additional 23% discount) and more long term flexibility as we believe GCP would be easier to migrate out of at contract end
- Based on Total Cost of Ownership (TCO) analyses performed by GCP [REDACTED] and above credits, we forecast \$108M net savings on GCP, [REDACTED] (both before to-be-identified migration costs)
- To mitigate cost and execution risks, we are requiring Google [REDACTED] to commit to key terms, including:
 - Discount applied to (lower) list pricing over time, migration support, and agreed to Service Levels
 - [REDACTED]
 - Also, ABK IT will architect key workloads to be flexible in the case of partial outages (e.g., supplier / regional dependencies)



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EXHIBIT 1979-007

ABK projected IT spend and capex (based on LRP)

Production IT spend expected to grow to support MAU growth from F2P and mobile launches

	Actual	AOP	LRP	LRP					Projected	2020-2022	2020-2023	
	2019	2020	2021	2022	Q1	Q2	Q3	Q4	2023	Total	Total	Comment
ABK Budgeted IT Spend												
Total M&D - Variable	1,308	1,284	1,460	1,623	456	456	456	456	1,824			2019 LRP, 2023 assumes same avg. growth as 2020-2022
Total IT (incl Corp IT)	332	355										
Corp IT costs	148	147										
Production IT costs	184	208										
Production IT % of M&D	14%	16%	15%	15%	15%	15%	15%	15%	15%			Assumes production IT avg. of 2020 AOP and 2019 actuals
Total production IT costs	184	208	221	245	69	69	69	69	276	674	949	Based on ratio of IT spend to total M&D spend from LRP
ABK MAUs	331	378	445	482								Based on 2019 LRP
ABK Budgeted IT CAPEX												
Total CAPEX	124	149	152	156					159			2019 LRP
Production IT CAPEX	70											30M BE, 20M AP / ABK, 20M KD p.a.
Prod. IT CAPEX % of total	56%	56%	56%	56%					56%			
Total Prod. IT CAPEX	70	84	86	88					90	258	347	Projected based on % of total IT CAPEX from 2019



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EXHIBIT 1979-008

ABK cloud spend commitment detail with Google (\$M)

	Actual 2019	AOP 2020	LRP 2021	LRP 2022	Q1'23	Q2'23	Q3'23	Q4'23	Projected 2023	2020-2022 Total	2020-2023 Total	Comment
ABK Committed Spend to Google												
Data												
Baseline (King + ABM)	4	8	10	12	4	4	4	4	14	30	44	YoY data volume growth
Incremental Blizzard Data	0	3	3	3	1	1	1	1	3	9	12	Blizzard data migration
Incremental AP Data	0	6	6	6	2	2	2	2	6	18	24	Assumes AWS to GCP migration + YoY data growth
Subtotal	4	17	19	21	6	6	6	6	23	57	80	
Infrastructure (Compute + Network)												
Blizzard Incubation	0	0	15	15	4	4	4	4	15	30	45	Assumes Blizzard incubation launches on GCP
Blizzard (Other Workloads)	0	2	10	10	3	3	3	3	10	22	32	Assumes migration of current Blizzard AWS to GCP
Demonware	0	8	8	8	2	2	2	2	8	24	32	Demonware workloads migrate from datacenter to GCP
King	0	2	8	8	2	2	2	2	8	18	26	King migrate from datacenter to GCP
Network Egress (50% of Compute)	0	6	20	20	5	5	5	5	20	46	66	Network egress costs for all compute workloads assumption @ 50% of compute costs
Subtotal	0	17	60	60	15	15	15	15	60	137	197	
Total Committed Spend to Google	4	34	79	81	21	21	21	21	83	194	277	
Cumulative spend (2020-2023)		34	113	194	215	236	257	277	277	341	618	Achieve 230M commitment in Q2 2023 (one year buffer provided by GCP)
% of Production IT costs w/ Google		16%	36%	33%					30%	29%	29%	
Savings vs forecasted cost												
Committed reductions												
TCO reductions		10%	15%	20%	20%	20%	20%	20%	20%			17-23% savings expected from Google TCO with Demonware, not including people cost
Total committed spend	4	34	79	81	21	21	21	21	83	194	277	
Expected savings	0	4	14	20	5	5	5	5	21	38	59	
Credits from Google												
Expected Cloud credits from Google Play	0	20	26	29					0	75	75	2% of Google Play spend
Total credits towards Google Cloud spend	0	20	26	29					0	75	75	
Expected incremental costs												
Direct migration expenses	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	
Duplication expenses	0	-15	0	0	0	0	0	0	0	-15	-15	Expecting 7M Demonware, 6M egress, and 2M King duplication expense
Total expected incremental costs	0	-15	0	0					0	-15	-15	
Net P&L impact (after committed spend)	0	9	40	49	5	5	5	5	21	98	119	

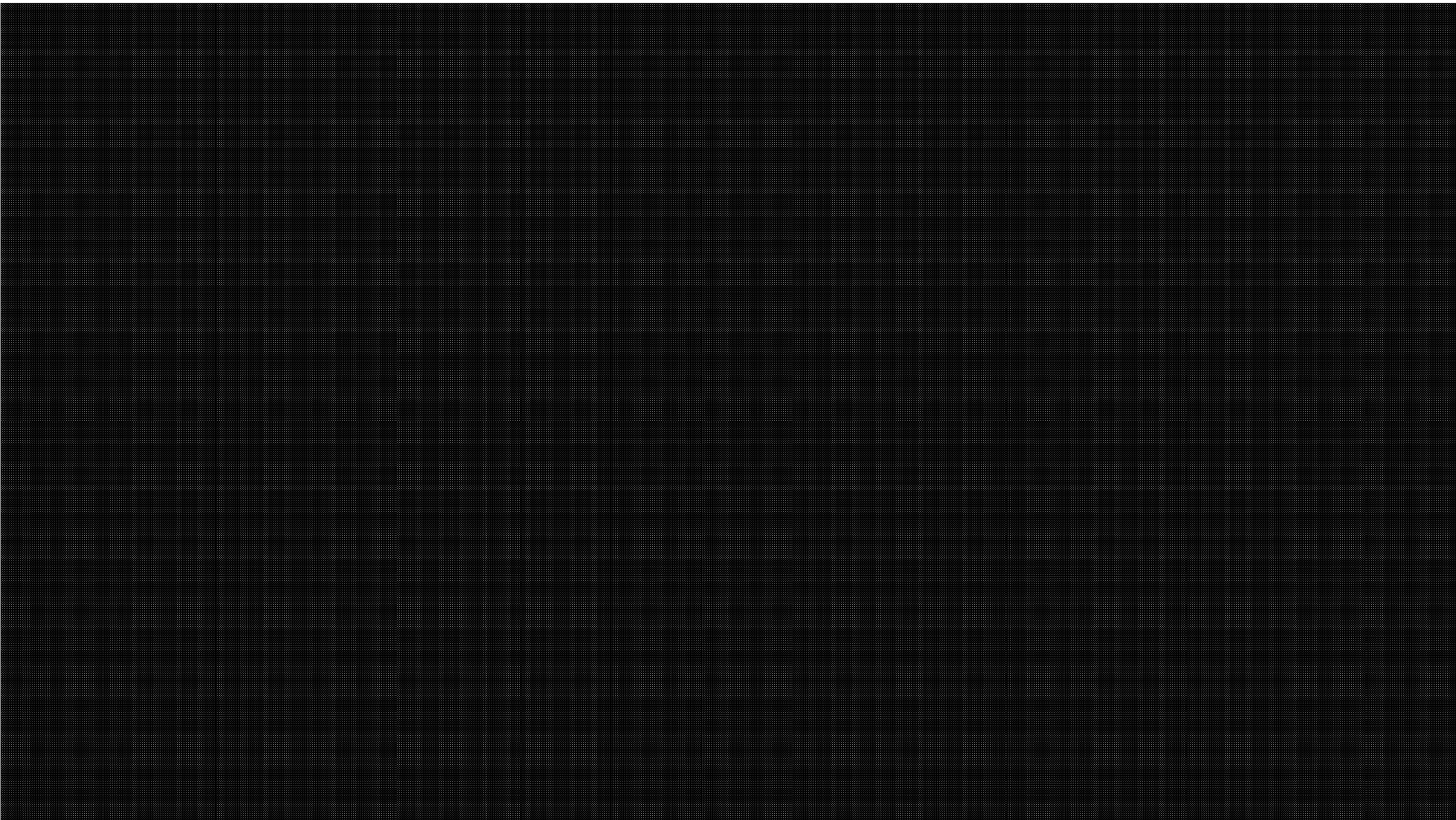


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EXHIBIT 1979-010

Other ABK TCO use cases

Additional use cases show 20% spend reduction assumption from migrating to Google may be conservative

	<u>Internal spend</u>	<u>GCP spend</u>	<u>Expected discount for using Google</u>
Demonware infra. TCO	<ul style="list-style-type: none"> \$16M estimated by Demonware team over 5 years 	<ul style="list-style-type: none"> \$13M estimated by GCP over 5 years 	20-22%
King infrastructure	<ul style="list-style-type: none"> \$19M On-premise Infrastructure TCO 	<ul style="list-style-type: none"> \$16M projected GCP spend fully migrated 	15-20%
King Data	<ul style="list-style-type: none"> \$5.1M (\$3.5M dedicated spend, plus 8 engineers at ~\$200k / FTE) for year 1 	<ul style="list-style-type: none"> \$2.7M dedicated spend in year 1 (3-year deal) 	48% (23% Infra)
ABM Data	<ul style="list-style-type: none"> \$2.5M current GCP spend, expected to grow 	<ul style="list-style-type: none"> ~\$2M projected annual spend from new deal reduction in compression of data 	20%
Blizzard Data	<ul style="list-style-type: none"> \$37M estimated by Battle.net team from 2020-2024 to build solution on-premise 	<ul style="list-style-type: none"> \$20M estimated by Battle.net and GCP team from 2020-2024 	46%



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EXHIBIT 1979-011

ABK media spend commitment detail

Media spend commitment from ABK to Google is below AOP/LRP projections over the next three years

<i>In millions</i>	Actual	Forecast			Comments
	2019	2020	2021	2022	
<u>Total Marketing Spend</u>					
Activision	231	320	282	351	
Blizzard	159	178	384	404	
King	244	236	383	382	
Total	633	733	1,049	1,137	2020 based on AOP and 2021 / 2022 based on LRP
<u>Budgeted Google Spend</u>					
Activision	20	50	44	55	
Blizzard	17	20	43	45	
King	62	75	122	122	
Total	99	145	209	222	2020 based on AOP; 2021 / 2022 assumes 2020 ratio to Total Marketing Spend
Budgeted Google Spend as % of Total Marketing Spend	16%	20%	20%	20%	
ABK Committed Spend to Google	-	115	125	135	



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APPENDIX



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AB-GOOG-000528

EXHIBIT 1979-013

Google Detail



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AB-GOOG-000529

Google proposal summary

Latest proposal delivers \$325M of 3 year cumulative contribution to ABK

Google Proposal

Google Play	<ul style="list-style-type: none"> 30% mobile royalty fee \$20/15/15M co-marketing for 3 years contingent on \$900/1,000/1,200M gross bookings of ABK titles on Google Play (AOP: \$985M+)
YouTube	<ul style="list-style-type: none"> \$50/53/57M for exclusive OWL / CDL / BE esports rights for 3 years \$20-60M projected esports revenue to Google 55% of sub rev and 100% of in-game item rev sold on YouTube to ABK Over-proportional O&O YouTube support to launch of both leagues \$45M over 3 years (no annual commitment) of sponsor integrations from ABK partners – ad spend fulfilled by ABM from partners counts toward total \$70M marketing value commitment to promote leagues over 3 years (including O&O with 25% cap – note: includes all marketing value, not just paid media)
Advertising	<ul style="list-style-type: none"> 3-yr extension of current deal terms (15% on Open Auction / 6.5% on Tech)
Media Spend	<ul style="list-style-type: none"> \$35M in media / UA spend credits (contingent on \$115M/\$125M/\$135M commitment in Y1/Y2/Y3 – AOP est. \$145M)
Cloud	<ul style="list-style-type: none"> 2% of Google Play gross ABK revenue in cloud credits ABK commits to ~\$230M cloud spend over 4 years contingent upon 1) competitive pricing, 2) maintained service level for consumers and 3) support for cloud migration – note: financials assume cloud commitment over 3 years Financials assume \$15M incremental cost to run dual environments during migration
Stadia	<ul style="list-style-type: none"> No discussions until broader deal is aligned/signed
3 Year Cume. Contribution	<div> <div>ABK \$ 310M</div> <div> Google \$ 305M (\$60M less base media) </div> </div>



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Note: Figures exclude spend that is already committed or expected to occur regardless of the deal.

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EXHIBIT 1979-015

Incremental value exchange

Google's latest proposal provides an overall deal structure that creates meaningful annual value for ABK

\$ million	Google Proposal			
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>3YR</u>
<u>Google Incremental Contribution</u>				
Google Play	(20)	(15)	(15)	(50)
YouTube	(22)	(1)	22	(0)
Advertising	14	20	30	64
Media Spend	72	81	90	243
Cloud	5	16	26	46
Stadia	-	-	-	-
TOTAL CONTRIBUTION	49	102	153	303
Contribution less Base Media Spend	(31)	22	73	63
<u>ABK Incremental Contribution</u>				
Google Play	20	15	15	50
YouTube	12	15	19	45
Advertising	-	-	-	-
Media Spend	35	35	35	105
Cloud	9	40	60	109
Stadia	-	-	-	-
TOTAL CONTRIBUTION	75	105	128	308

Note: assumes 30% margin on Cloud and 90% margin on advertising business



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Gross book of business summary

Based on Google's proposal, ABK value doubles by 2021

<i>\$ million</i>	2019	2020		2021		2022	
	<u>Base</u>	<u>Base</u>	<u>Google Proposal</u>	<u>Base</u>	<u>Google Proposal</u>	<u>Base</u>	<u>Google Proposal</u>
Google Gross							
Google Play	233	295	275	394	379	438	423
YouTube	11	14	(8)	26	25	43	65
Advertising	10	16	16	22	22	33	33
Media Spend	71	115	80	125	90	135	100
Cloud	4	23	15	35	53	40	86
Stadia	-	-	-	-	-	-	-
TOTAL GROSS	330	462	378	602	570	689	707
ABK Gross							
Google Play	583	688	708	919	934	1,021	1,036
YouTube	-	-	22	-	1	-	(22)
Advertising	73	117	117	182	182	283	283
Media Spend	(71)	-	35	-	35	-	35
Cloud	(4)	-	9	-	40	-	60
Stadia	-	-	-	-	-	-	-
TOTAL GROSS	581	806	891	1,101	1,192	1,304	1,392

Note:

- Figures exclude spend that is already committed or expected to occur regardless of the deal
- Cloud for ABK includes the value from cost savings vs on-premise infrastructure as well as incremental expense for dual environments during the migration (\$15M)



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AB-GOOG-000532

EXHIBIT 1979-017

YouTube detail

The annual media rights fee will be partially offset by incremental revenue driven by esports revenue to YouTube

In millions

	Base					ABK Esports Media Rights			
	2019	2020	2021	2022	3YR	2020	2021	2022	3YR
Total YT Gaming Hours Watched	50,000	55,000	60,500	66,550	182,050	55,000	60,500	66,550	182,050
% ABK Related (2% today per YT)	2.5%	3.0%	3.5%	4.0%	4%	3.0%	3.5%	4.0%	4%
ABK Esports Hours	125	244	344	456	1,044	244	344	456	1,044
ABK UGC Hours	1,125	1,406	1,773	2,206	5,385	1,406	1,773	2,206	5,385
ABK Hours Watched	1,250	1,650	2,118	2,662	6,430	1,650	2,118	2,662	6,430
# of Ads per UGC Hour Watched	12	12	12	12		12	12	12	
% of Ads Blocked	80%	80%	70%	60%		80%	70%	60%	
CPM (\$)	15	15	15	15		15	15	15	
Fill Rate	60%	60%	60%	60%		60%	60%	60%	
Gross Ad Revenue	24	30	57	95	183	30	57	95	183
Content Creator Share (55%)	(13)	(17)	(32)	(52)	(101)	(17)	(32)	(52)	(101)
Baseline Google UGC Ad Net Rev	11	14	26	43	82	14	26	43	82
# of Ads per Esports Hour Watched	-	-	-	-		16	16	16	
% of Ads Blocked	-	-	-	-		80%	60%	50%	
CPM (\$)	-	-	-	-		15	15	15	
Fill Rate	-	-	-	-		60%	65%	70%	
Google Esports Ad Revenue	-	-	-	-	-	7	21	38	67
Unique Viewers	-	-	-	-		85	121	160	
% Conversion	-	-	-	-		0.3%	0.3%	0.3%	
Subscription Units (k)	-	-	-	-		0.3	0.4	0.5	
Subscription Price	-	-	-	-		19.99	19.99	19.99	
Subscription Revenue	-	-	-	-	-	5	7	10	22
Hours Watched / Month / Viewer	-	-	-	-		2	2	2	
Esports Viewership MAU	-	-	-	-		17	25	33	
% Conversion (Cheermotes)	-	-	-	-		1.0%	1.0%	1.0%	
\$ ARPPMAU	-	-	-	-		5.00	5.00	5.00	
Avg. Months of Content	-	-	-	-		7	7	7	
Cheermote Revenue	-	-	-	-	-	6	9	11	26
Total Google Esports Revenue	-	-	-	-	-	18	37	59	115
ABK/Partner Sponsorship/Co-Marketing Rev	-	-	-	-	-	10	15	20	45
Total Revenue with Sponsorship/Co-Marketing	-	-	-	-	-	28	52	79	160
ABK Broadcast/Production/Event Cost						39	39	39	116

10% growth per year (Newzoo at 14%)

Based on ABE Projections

Assumes 12 ads per hour watched (6 minutes of ads / :30s ad units)
Feedback from Twitch; assumes they start to address ad blocking
Discount to CPMs of \$18 provided from ABM feedback
Based on MLG historicals (75% US / 50% International)

Assumes 16 ads per hour watched (8 minutes of ads / :30s ad units)
Feedback from Twitch; assumes they start to address ad blocking
Discount to CPMs of \$18 provided from ABM feedback
Based on MLG historicals (75% US / 50% International)

Assumes 2019 ratio of unique viewers to hours watched holds

Assumes estimates of 0.3% / 95k AAP sold 2019 YTD
Assumed price point between 2018 and 2019 All-Access Pass moving forward

Assumes avg. viewer watches 2 hours of ABK content per month; Per Twitch, avg viewer watches 7 hours per month; avg YouTube viewer (non-gaming focused) watches 5 hours per month

WWE 2% of audience subscribes; Crunchyroll - 5%; MLB.tv - 9%; OWL AAP ~9% to estimated viewership MAU
HGC cheers ARPPU was \$16 over 1 month (70% of spend in week 1)



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AB-GOOG-000533

EXHIBIT 1979-018

Esports production cost detail

Esports broadcast and production cost detail leveraged to estimate contribution of esports programs to ABK

<i>In millions</i>	<u>OWL</u>	<u>CDL</u>	<u>Blizzard Esports</u>	<u>Total</u>
Live Production	13.9	10.1	1.0	25.0
Broadcast Tech	4.4	2.7	1.7	8.8
Casters	0.8	0.6	-	1.4
Production Tech	1.8	1.0	0.5	3.3
TOTAL	20.9	14.4	3.2	38.5



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EXHIBIT 1979-019

Advertising detail

ABK can continue to drive value for Google through extending our current ads deal

<i>\$ million</i>	<u>2019</u>	Current Deal Extension			
		<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>3YR</u>
Google Open Auction	56	81	108	146	335
Direct Sales via Google Tech	27	52	96	170	318
Other Sources (Assumed FB)	50	73	100	139	312
Total ABK Ads Revenue	133	206	304	455	965
<i>ABK Google Related Ad Rev</i>	<i>83</i>	<i>133</i>	<i>204</i>	<i>316</i>	<i>653</i>
<i>Google Related as % of Gross</i>	<i>62%</i>	<i>65%</i>	<i>67%</i>	<i>69%</i>	<i>68%</i>
Google OA Royalty	15%	15%	15%	15%	
Google Tech Royalty	6.5%	6.5%	6.5%	6.5%	
Total Baseline Google Ad Fees	10	16	22	33	71
ABK Net Rev (thru Google)	73	117	182	283	582
Google Margin	90%	90%	90%	90%	
Google Contribution	9	14	20	30	64



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EXHIBIT 1979-020

Media spend detail

Media spend commitment with Google is less than ABK's planned spend based on AOP/LRP

	Actual	Forecast			
	2019	2020	2021	2022	
	Comments				
<u>Total Marketing Spend</u>					
Activision	231	320	282	351	
Blizzard	159	178	384	404	
King	244	236	383	382	
Total	633	733	1,049	1,137	2020 based on AOP and 2021 / 2022 based on LRP
<u>Budgeted Google Spend</u>					
Activision	20	50	44	55	
Blizzard	17	20	43	45	
King	62	75	122	122	
Total	99	145	209	222	2020 based on AOP; 2021 / 2022 assumes 2020 ratio to Total Marketing Spend
Budgeted Google Spend as % of Total Marketing Spend	16%	20%	20%	20%	
ABK Committed Spend to Google	-	115	125	135	



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Cloud detail

Google is seeking a \$230M commitment that can be spread over 4 years

	Actual 2019	AOP 2020	LRP 2021	LRP 2022	Q1'23	Q2'23	Q3'23	Q4'23	Projected 2023	2020-2022 Total	2020-2023 Total	Comment
ABK Budgeted IT Spend												
Total M&D - Variable expenses	1,308	1,284	1,460	1,623	456	456	456	456	1,824			Based on 2019 LRP, 2023 assumes same avg. growth as 2020-2022
Total IT costs (incl. Corp IT)	332	355										
Corp IT costs	148	147										
Production IT costs	184	208										
Production IT % of M&D variable	14%	16%	15%	15%	15%	15%	15%	15%	15%			Assumes production IT represents avg. of 2020 AOP and 2019 actuals
Total production IT costs	184	208	221	245	69	69	69	69	276	674	949	Based on ratio of IT spend to total variable M&D spend from LRP
ABK MAUs	331	378	445	482								Based on 2019 LRP
ABK Budgeted IT CAPEX												
Total CAPEX	124	149	152	156					159			2019 LRP
Production IT CAPEX	70											30M BE, 20M AP / ABK, 20M KD p.a.
Production IT CAPEX % of total	56%	56%	56%						56%			
Total production IT CAPEX	70	84	86	88					90			Projected based on % of total IT CAPEX from 2019
ABK Committed Spend to Google												
Data												
Baseline (King + ABM)	4	8	10	12	4	4	4	4	14	30	44	YoY data volume growth
Incremental Blizzard Data	0	3	3	3	1	1	1	1	3	9	12	Blizzard data migration
Incremental AP Data	0	6	6	6	2	2	2	2	6	18	24	Assumes AWS to GCP migration + YoY data growth
Subtotal	4	17	19	21	6	6	6	6	23	57	80	
Infrastructure (Compute + Network)												
Blizzard Incubation	0	0	15	15	4	4	4	4	15	30	45	Assumes Blizzard incubation launches on GCP
Blizzard (Other Workloads)	0	2	10	10	3	3	3	3	10	22	32	Assumes migration of current Blizzard AWS to GCP
Demonware	0	8	8	8	2	2	2	2	8	23	30	Demonware workloads migrate from datacenter to GCP
King	0	2	8	8	2	2	2	2	8	17	25	King migrate from datacenter to GCP
Network Egress (50% of Compute)	0	6	20	20	5	5	5	5	20	46	66	Network egress costs for all compute workloads assumption @ 50% of compute costs
Subtotal	0	17	60	60	15	15	15	15	60	137	197	
Total Committed Spend to Google	4	34	79	81	21	21	21	21	83	194	277	
Cumulative spend (2020-2023)		34	113	194	215	236	257	277	277	194	277	
% of Production IT costs w/ Google		16%	36%	33%					30%	29%	29%	
Infrastructure savings vs TCO												
Committed reductions												
TCO reductions		10%	15%	20%	20%	20%	20%	20%	20%			17-23% savings expected from Google TCO with Demonware, not including people cost
Total committed spend	4	34	79	81	21	21	21	21	83			
Expected savings	0	4	14	20	5	5	5	5	21	38	59	



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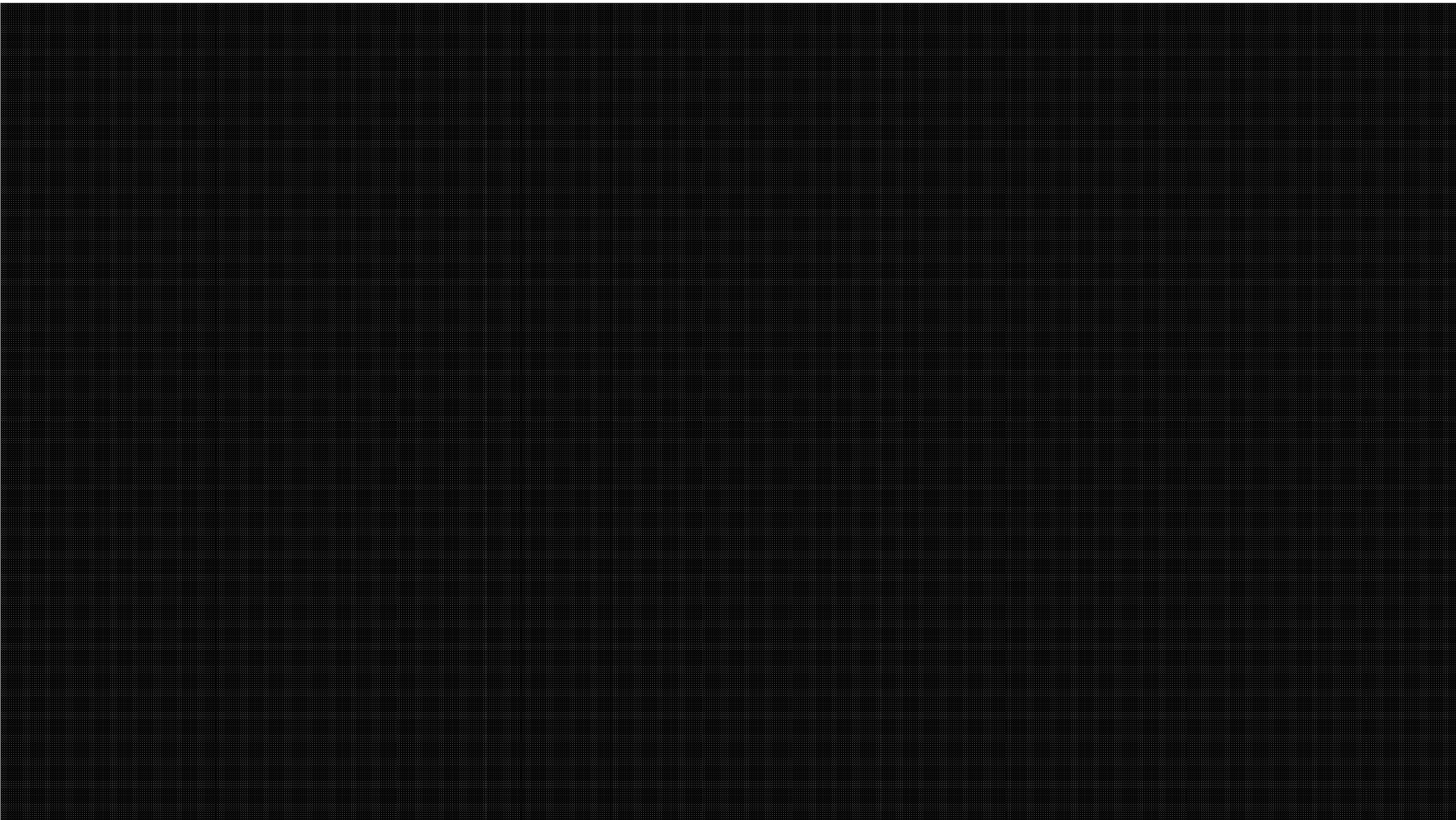
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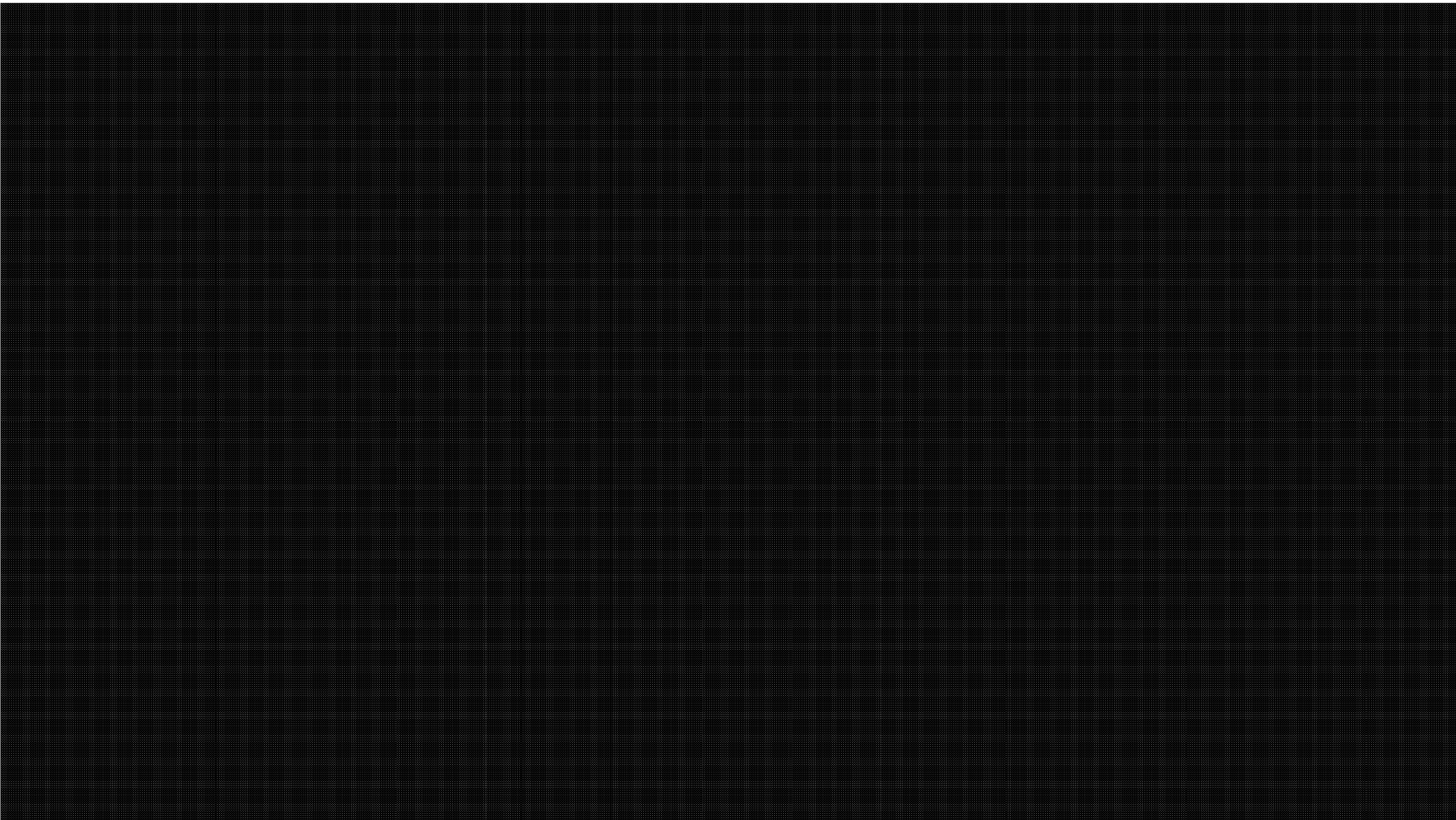
EXHIBIT 1979-023



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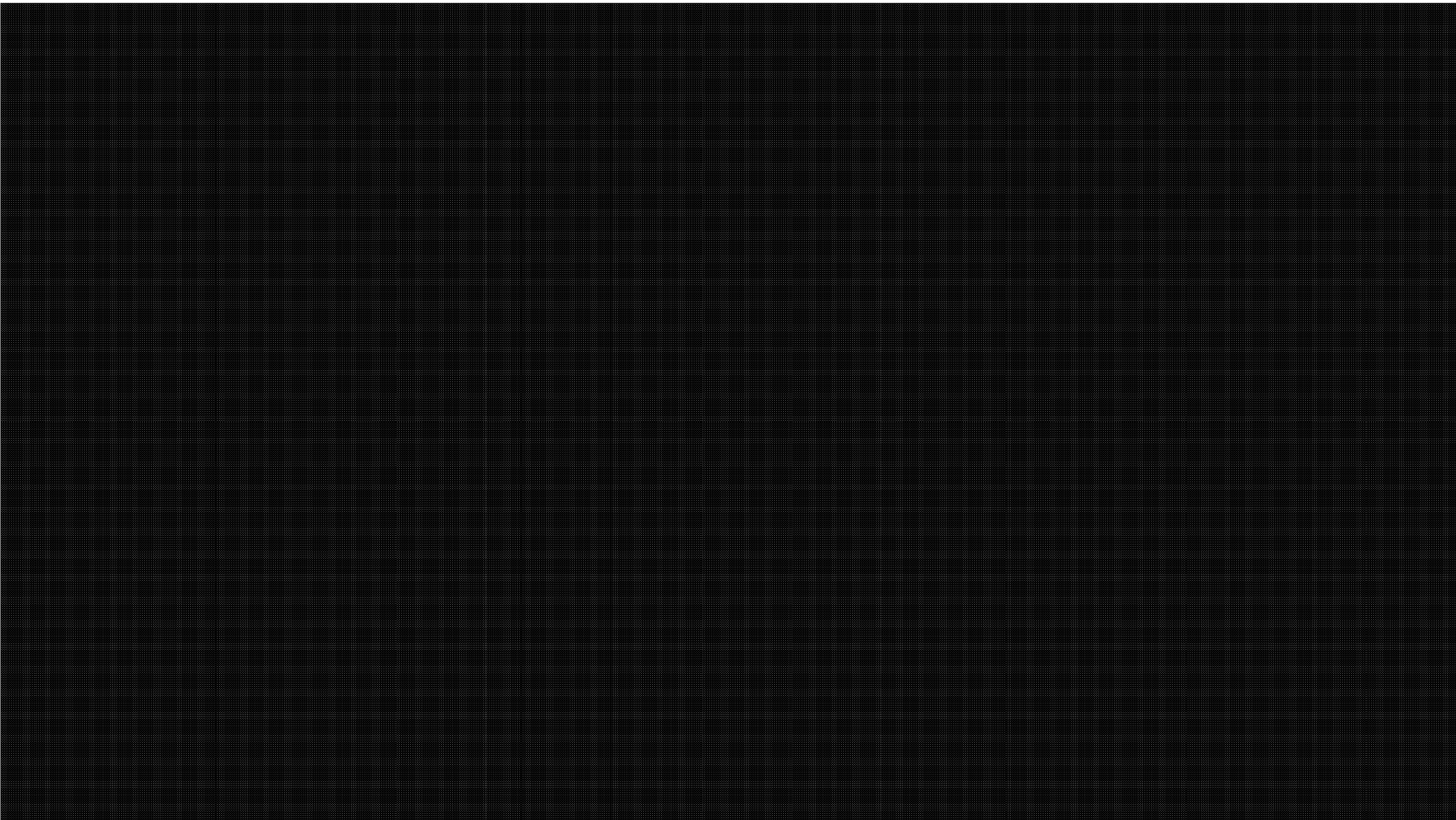
AB-GOOG-000539

EXHIBIT 1979-024



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AB-GOOG-000540



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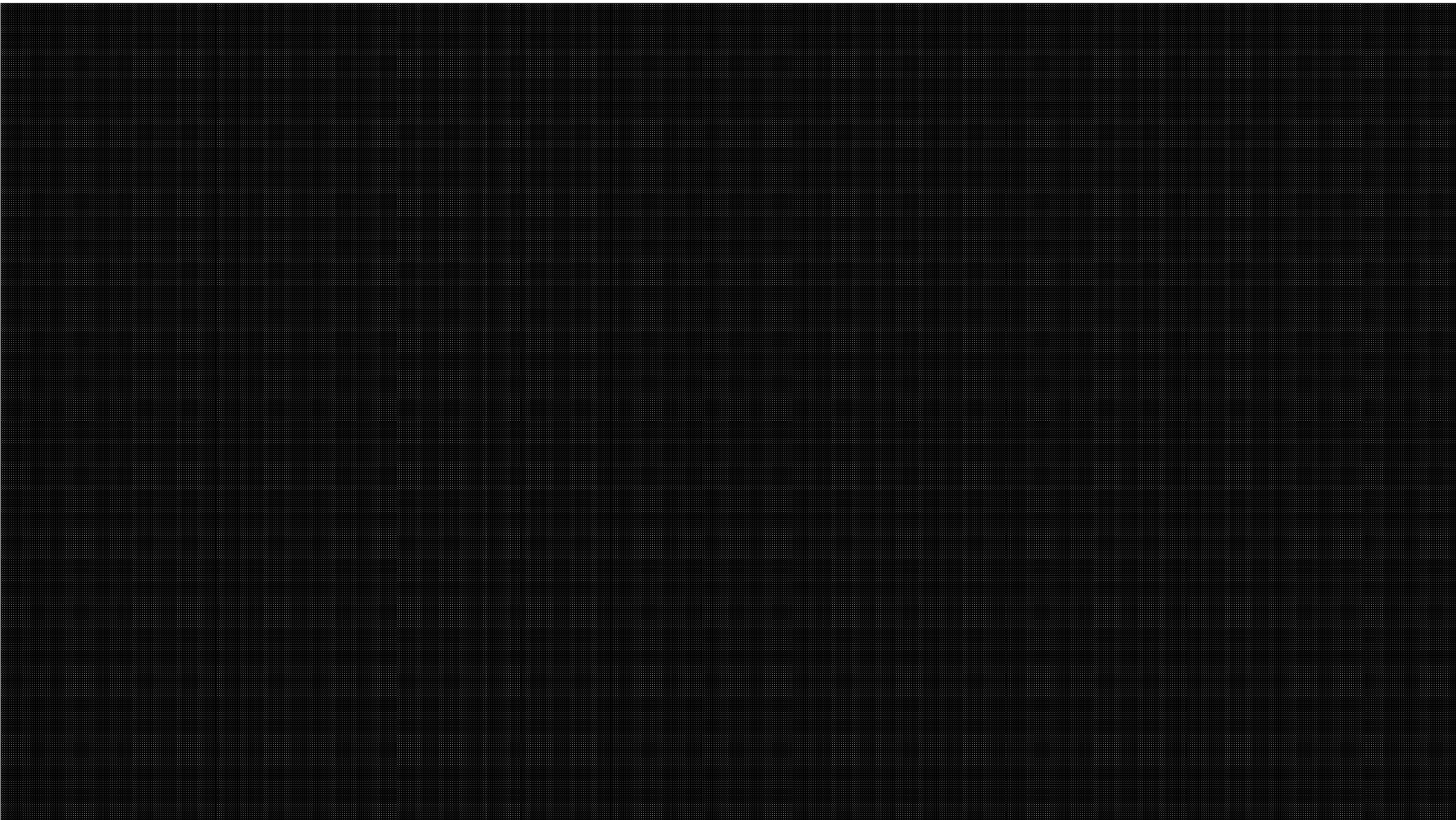
EXHIBIT 1979-026



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EXHIBIT 1979-027



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AB-GOOG-000543

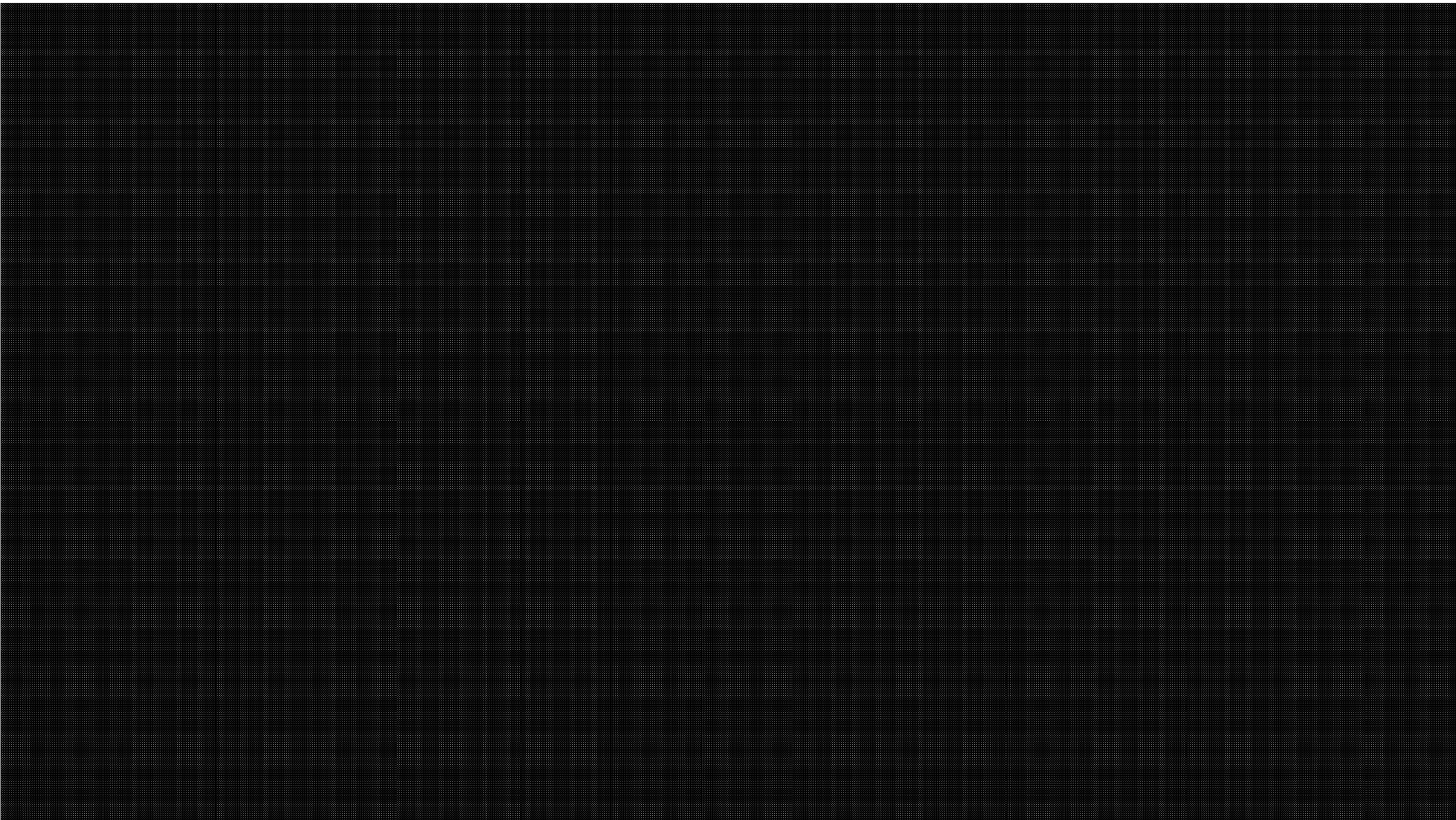
EXHIBIT 1979-028



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AB-GOOG-000544

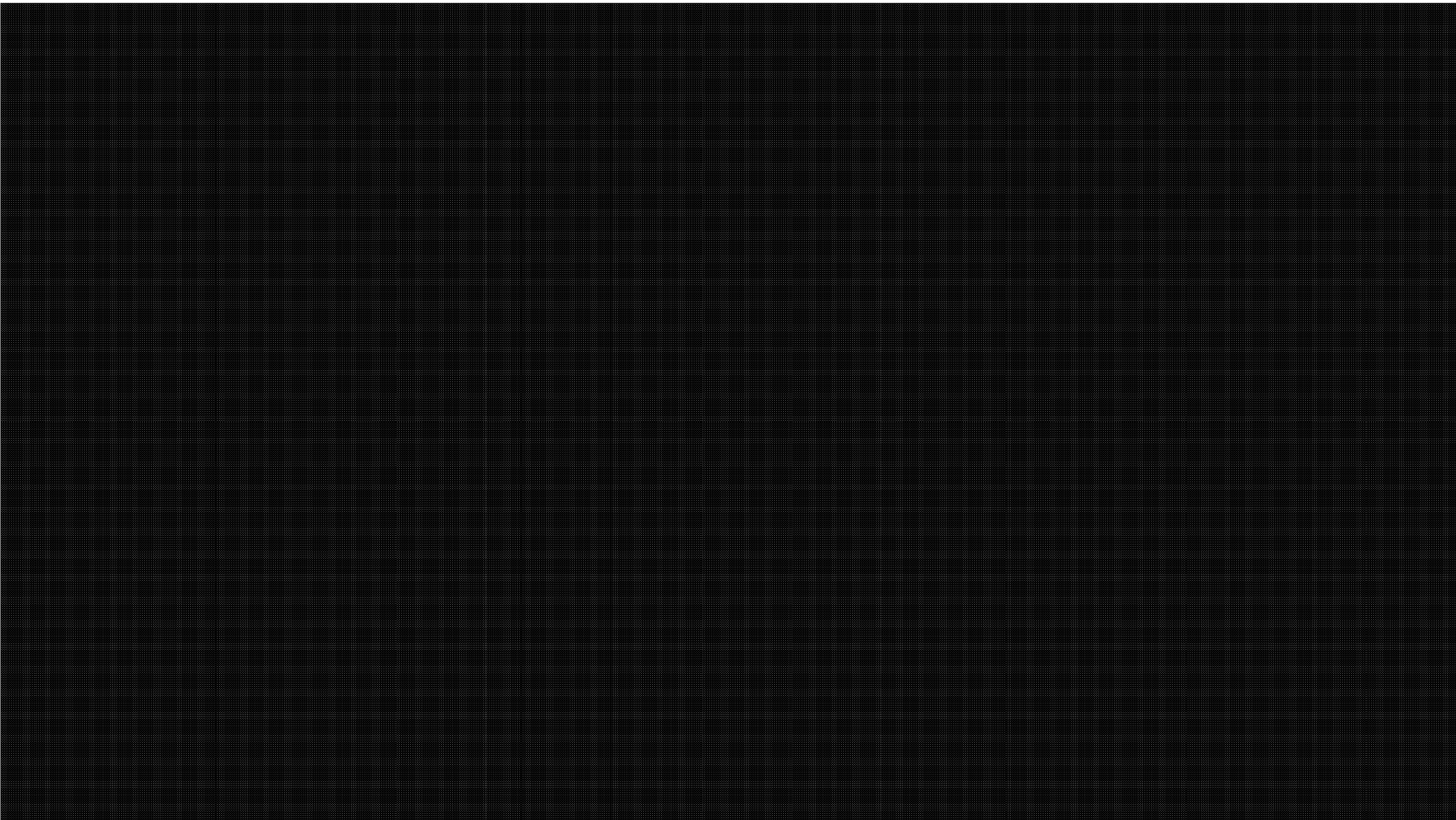
EXHIBIT 1979-029



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AB-GOOG-000545

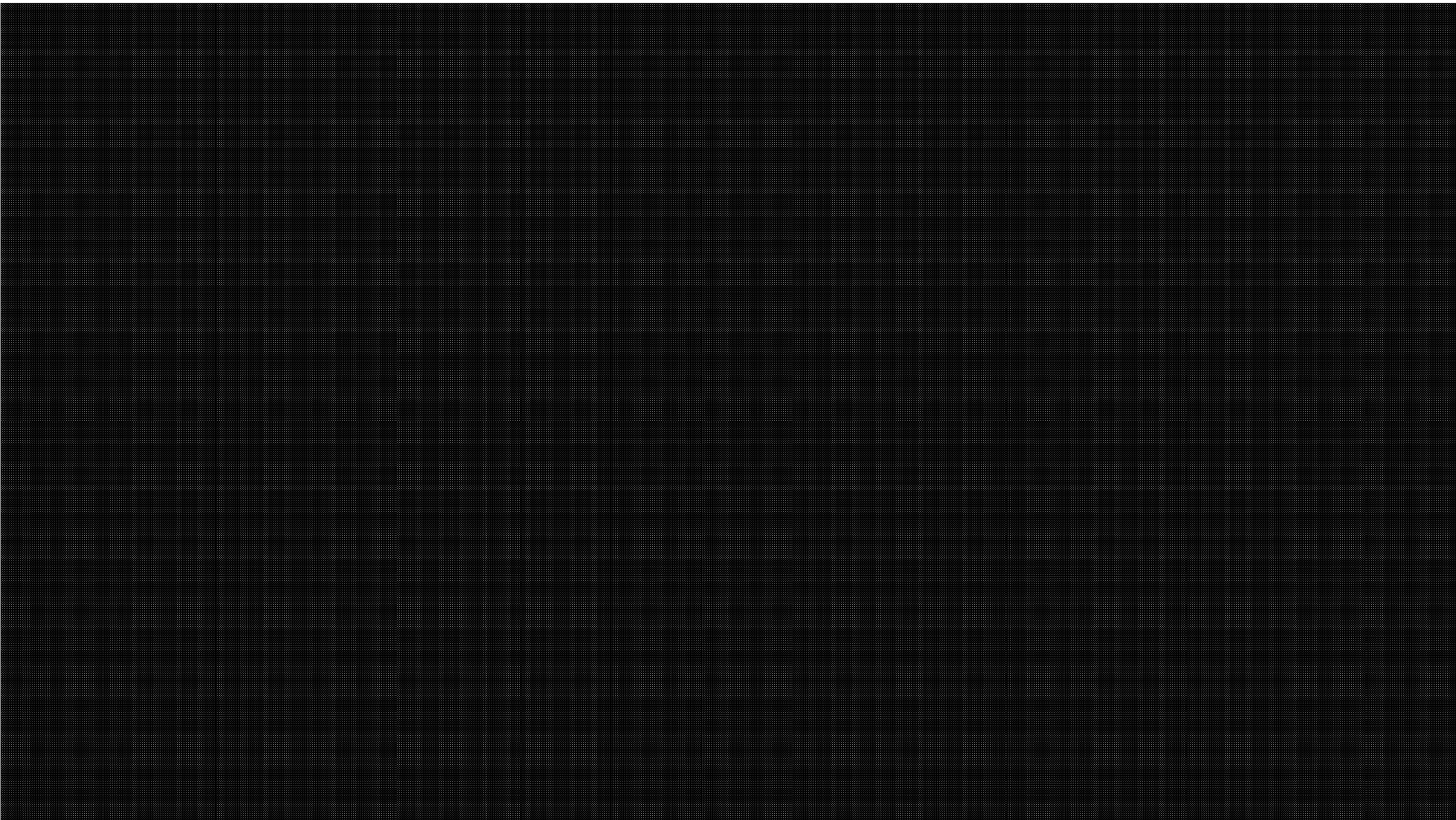
EXHIBIT 1979-030



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AB-GOOG-000546

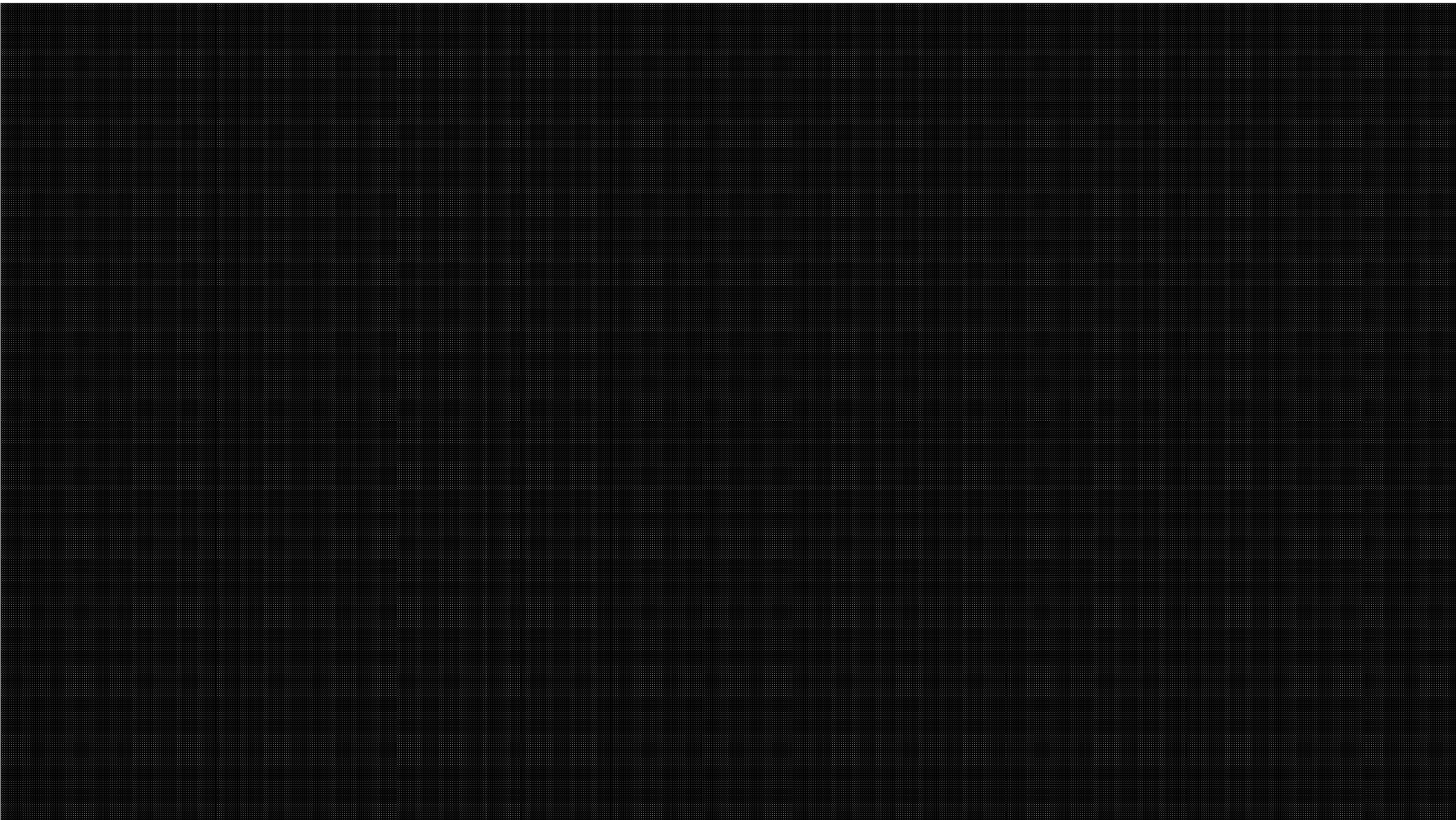
EXHIBIT 1979-031



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AB-GOOG-000547

EXHIBIT 1979-032



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AB-GOOG-000548

EXHIBIT 1979-033